SUPREME COURT, U.S.
FILED
FEB 14 1995
OFFICE OF THE CLERK

(2)

No. 94-1249

IN THE
Supreme Court of the United States
OCTOBER TERM, 1994

DRUG EMPORIUM, INC.,

Petitioner,

v.

PARFUMS GIVENCHY, INC.,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

---

RESPONDENT' S BRIEF IN OPPOSITION

RONALD L. OLSON
LAWRENCE C. BARTH
MUNGER, TOLLES & OLSON
355 South Grand Avenue
Los Angeles, CA 90071

PETER J. NICKLES
Counsel of Record
CHARLES E. BUFFON
CURTIS A. BRADLEY
CAROLINE M. BROWN
COVINGTON & BURLING
1201 Pennsylvania Ave., N.W.
Post Office Box 7566
Washington, D.C. 20044
(202) 662-6000

Attorneys for Respondent

BEST AVAILABLE COPY

35pp

RULE 29.1 STATEMENT

Pursuant to Supreme Court Rule 29.1, respondent Parfums Givenchy, Inc. states that its parent companies are Parfums Givenchy, S.A. and Louis Vuitton, both of which are wholly-owned subsidiaries of LVMH Moet Hennessy Louis Vuitton, S.A. Respondent has no nonwholly owned subsidiaries.

TABLE OF CONTENTS

Page

JURISDICTION 1

STATEMENT OF THE CASE 3

REASONS FOR DENYING THE PETITION 7

I. THE PETITION SHOULD BE DENIED BECAUSE THE DECISION BELOW DOES NOT IMPLICATE ANY CONFLICT OF AUTHORITY 7

II. THE PETITION SHOULD BE DENIED BECAUSE THE DECISION BELOW IS CLEARLY CORRECT 13

A. The First Question Presented 13

B. The Second Question Presented 17

III. DRUG EMPORIUM OVERSTATES THE SCOPE AND SIGNIFICANCE OF THE DECISION BELOW 19

CONCLUSION 23

TABLE OF AUTHORITIES

Cases	Page(s)
Adickes v. *S.H. Kress & Co.*, 398 U.S. 144 (1970)	18
Andrus v. *Glover Construction Co.*, 446 U.S. 608 (1980)	15
BMG Music v. *Perez*, 952 F.2d 318 (9th Cir. 1991), *cert. denied*, 112 S. Ct. 2997 (1992)	5, 8, 9
Beechwood Music Corp. v. *Vee Jay Records, Inc.*, 328 F.2d 728 (2d Cir. 1964)	16
Boesch v. *Graff*, 133 U.S. 697 (1890)	16
Columbia Broadcasting System, Inc. v. *Scorpio Music Distributors, Inc.*, 569 F. Supp. 47 (E.D. Pa. 1983), *aff'd*, 738 F.2d 424 (3d Cir. 1984)	8, 9, 10, 18, 20
Daimler Manufacturing Co. v. *Conklin*, 170 F. 70 (2d Cir. 1909), *cert. denied*, 216 U.S. 621 (1910)	16
Deepsouth Packing Co. v. *Laitram Corp.*, 406 U.S. 518 (1972)	17

Table of Authorities-Continued

Delta Air Lines, Inc. v. *August*, 450 U.S. 346 (1981) 18

EEOC v. *Arabian American Oil Co.*, 499 U.S. 244 (1991) 15

Griffin v. *Keystone Mushroom Farm, Inc.*, 453 F. Supp. 1283 (E.D. Pa. 1978) 16

Griffin v. *Oceanic Contractors, Inc.*, 458 U.S. 564 (1982) 13

Hearst Corp. v. *Stark*, 639 F. Supp. 970 (N.D. Cal. 1986) 20

Living Media India Ltd. v. *Parekh*, 2 Copyright L. Rep. (CCH) ¶ 27,239 (S.D.N.Y. 1994) 20

Missouri v. *Jenkins*, 495 U.S. 33 (1990) 1, 2

Nintendo of America, Inc. v. *Elcon Industries, Inc.*, 564 F. Supp. 937 (E.D. Mich. 1982) 20

Original Appalachian Artworks, Inc. v. *J.F. Reichert, Inc.*, 658 F. Supp. 458 (E.D. Pa. 1987) 20

Parfums Givenchy, Inc. v. *C&C Beauty Sales, Inc.*, 832 F. Supp. 1378 (C.D. Cal. 1993), *appeal pending*, No. 94-55459 (9th Cir.) 5

Table of Authorities-Continued

Red Baron-Franklin Park Inc. v. *Taito Corp.*, 9 U.S.P.Q. 2d (BNA) 1901 (E.D. Va. 1988), *rev'd*, 883 F.2d 275 (4th Cir. 1989) 20

Robert Stigwood Group Ltd. v. *O'Reilly*, 530 F.2d 1096 (2d Cir.), *cert. denied*, 429 U.S. 848 (1976) 15

Sanofi, S.A. v. *Med-Tech Veterinarian Products, Inc.*, 222 U.S.P.Q. (BNA) 143 (D. Kan. 1983) 16

Sebastian International, Inc. v. *Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093 (3d Cir. 1988) 7, 8, 9, 11, 12

Selchow & Righter Co. v. *Goldex Corp.*, 612 F. Supp. 19 (S.D. Fla. 1985) 16, 20

Sony Corp. of America v. *Universal City Studios, Inc.*, 464 U.S. 417 (1984) 16

Stabilisierungsfonds Fur Wein v. *Kaiser Stuhl Wine Distributors Pty. Ltd.*, 647 F.2d 200 (D.C. Cir. 1981) 18

Subafilms, Ltd. v. *MGM-Pathe Communications Co.*, 24 F.3d 1088 (9th Cir. 1994) 15

T.B. Harms Co. v. *Jem Records, Inc.*, 655 F. Supp. 1575 (D.N.J. 1987) 20

United Dictionary Co. v. *G. & C. Merriam Co.*, 208 U.S. 260 (1908) 15

Statutes, Rules, and Legislative History

17 U.S.C. § 106(3) 19

17 U.S.C. § 109(a) . . . . . *passim*

17 U.S.C. § 501(b) 21

17 U.S.C. § 602(a) . . . . . *passim*

17 U.S.C. § 602(b) 22

28 U.S.C. § 2101(c) 1

Sup. Ct. R. 10.1(a). 7

Sup. Ct. R. 13.1. 1

Sup. Ct. R. 13.4 2

Sup. Ct. R. 14.1(k)(iii) 6

H.R. Rep. No. 1476, 94th Cong., 2d Sess. (1976), *reprinted in* 1976 U.S. Code Cong. & Ad. News 5659 . . . . . 14, 19

S. Rep. No. 473, 94th Cong., 1st Sess. (1975) 14

Miscellaneous

1 P. Goldstein, *Copyright* (1989) 15, 17, 18

1 J. McCarthy, *Trademarks and Unfair Competition* (3d ed. 1994) 16

2 M. Nimmer & D. Nimmer, *Nimmer on Copyright* (1994) 9

R. Stern, *et al.*, *Supreme Court Practice* (7th ed. 1993) 10, 11

In The

SUPREME COURT OF THE UNITED STATES

October Term, 1994

DRUG EMPORIUM, INC.,

Petitioner,

v.

PARFUMS GIVENCHY, INC.,

Respondent.

RESPONDENT'S BRIEF IN OPPOSITION

Respondent, Parfums Givenchy, Inc. ("Givenchy USA") respectfully submits this brief in opposition to the petition for writ of certiorari filed by petitioner Drug Emporium, Inc. ("Drug Emporium").

JURISDICTION

Drug Emporium's petition appears to be untimely. To be timely filed, a petition for a writ of certiorari must be submitted to the Court within 90 days after the entry of judgment. *See* 28 U.S.C. § 2101(c); Sup. Ct. R. 13.1. "This 90-day limit is mandatory and jurisdictional." *Missouri* v.

Jenkins, 495 U.S. 33, 45 (1990). The judgment of the court below was entered on October 21, 1994. Drug Emporium filed its petition for writ of certiorari *91 days* later, on January 20, 1995.

Although a timely "Petition for Rehearing" under Rule 40 of the Federal Rules of Appellate Procedure will toll the 90-day period, *see* Sup. Ct. R. 13.4, Drug Emporium did not file such a petition. Rather, it filed only a "Suggestion of Rehearing En Banc," which it said was being submitted "[p]ursuant to Rule 35, Fed.R.App.P."[1/] A Suggestion of Rehearing En Banc under Rule 35 does not toll the time for filing a petition for writ of certiorari. *See* Sup. Ct. R. 13.4.

The Ninth Circuit entered an order in response to Drug Emporium's Suggestion of Rehearing En Banc stating that it was also denying a "petition for rehearing." But this reference by the Ninth Circuit to a document that was never filed is not sufficient to toll the 90-day period for submission of a petition to this Court. As this Court stated when addressing a similar situation, "[t]he Court of Appeals of course cannot make the record what it is not." *Jenkins*, 495 U.S. at 49.[2/]

[1/] The cover sheet and first page of Drug Emporium's Suggestion of Rehearing En Banc are reproduced in an addendum to this brief.

[2/] In *Jenkins*, this Court determined that the time for filing the petition was tolled because the petitioner had submitted in the court of appeals a document entitled "*Petition* for Rehearing En Banc," which the Court said could reasonably have been construed by the court of appeals as including a Petition for Rehearing under Rule 40. 495 U.S. at 47-48. Here, however, there was no ambiguity -- Drug Emporium filed only a *Suggestion* of Rehearing En Banc, and did so expressly "[p]ursuant to Rule 35." Since "the filing was no more than a suggestion for rehearing in banc . . . the petition for certiorari was untimely." *Id.* at 47.

STATEMENT OF THE CASE

1. This case involves a copyright infringement claim brought by Givenchy USA against Drug Emporium under Section 602(a) of the Copyright Act, 17 U.S.C. § 602(a). That section makes actionable as copyright infringement the "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States." The section also sets out three narrow exceptions to the importation ban, relating to government use, private use, and use by charitable institutions. None of these exceptions is alleged to apply in this case.

2. Givenchy USA is the exclusive authorized importer and distributor of Givenchy perfume products in the United States. These products are manufactured in France by Givenchy USA's parent company, Parfums Givenchy, S.A. ("Givenchy France"). After importing the products into the United States, Givenchy USA distributes them only to select retailers, such as Saks Fifth Avenue and Neiman Marcus.

One of the products manufactured by Givenchy France and distributed in the United States by Givenchy USA is a perfume marketed under the name "Amarige." Each bottle of Amarige is packaged in a box that is decorated with a distinctive two-dimensional design. This design has been prominently featured in the advertising of Givenchy perfume and is an integral part of the overall product offered for sale.

In February 1992, Givenchy France sold all of its rights in the U.S. copyright for the Amarige box design to Givenchy USA. After registering the copyright with the U.S. Copyright Office, Givenchy USA discovered that Drug Emporium, a nationwide chain of retail drug stores, was selling Amarige perfume products (including the copyrighted box design) that

it had acquired from an unauthorized third-party importer. These products, although lawfully manufactured in France, were not intended to be sold in the United States, but rather were diverted into this country through unauthorized channels.[3/]

3. In July 1992, Givenchy USA filed a copyright infringement claim against Drug Emporium in the U.S. District Court for the Central District of California. After obtaining a preliminary injunction, Givenchy USA moved for entry of summary judgment. In support of its motion, Givenchy submitted uncontested evidence that it had spent several million dollars advertising Amarige perfume, that it had included within that advertising depictions of the copyrighted design, and that Drug Emporium's unauthorized distribution of the product in the copyrighted box threatened to cause Givenchy USA irreparable harm by undermining the image of Amarige as a high-quality, high-prestige luxury item.

In opposition to Givenchy USA's summary judgment motion, Drug Emporium raised only two arguments. First, it asserted that it was shielded from liability by the "first sale doctrine," which is codified in Section 109(a) of the Copyright Act, 17 U.S.C. § 109(a). Section 109(a) provides that, "[n]otwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." Second, Drug Emporium contended that there was an issue of fact concerning Givenchy USA's standing to enforce the copyright. The sole basis for the latter

---

[3/] The unauthorized importation of goods protected by a trademark, copyright, or patent is commonly referred to as "gray market" or "parallel" importation.

argument was an affidavit suggesting that the Amarige products sold by one of the Drug Emporium stores may have been imported shortly before Givenchy France assigned the copyright in the Amarige box design to Givenchy USA.

On November 23, 1992, after a hearing, the district court granted summary judgment in favor of Givenchy USA. (*See* App. 19-25.) The district court rejected Drug Emporium's "first sale" defense on the basis of the Ninth Circuit's decision in *BMG Music* v. *Perez*, 952 F.2d 318, 319 (9th Cir. 1991), *cert. denied*, 112 S. Ct. 2997 (1992), which held that Section 109(a) "does not . . . provide a defense to infringement under 17 U.S.C. § 602 for goods manufactured abroad." The district court also found that Givenchy USA had standing to bring the action, for two independent reasons: First, it was undisputed that Drug Emporium had been distributing the Amarige box design *after* the assignment of the copyright to Givenchy USA, and the court concluded that such distribution constituted an infringement of the copyright. Second, the court found that the circumstances of the assignment were such that it should be construed as including the right to sue for infringements occurring before the assignment.[4/]

4. In an opinion dated October 21, 1994, the Ninth Circuit affirmed the district court's entry of summary judgment. 38 F.3d 477 (9th Cir. 1994). With respect to the first sale issue, the Ninth Circuit noted that it had decided this "precise issue" in its earlier *BMG Music* decision and that "[t]he material facts of this case are nearly identical to those

---

[4/] After obtaining summary judgment against Drug Emporium, Givenchy USA brought suit against Drug Emporium's importer, C&C Beauty Sales, Inc. Summary judgment was subsequently entered against C&C Beauty, and that case is currently pending before the Ninth Circuit. *Parfums Givenchy, Inc.* v. *C&C Beauty Sales, Inc.*, 832 F. Supp. 1378 (C.D. Cal. 1993), *appeal pending*, No. 94-55459 (9th Cir.).

in *BMG Music*." *Id.* at 481-82. Accordingly, as in *BMG Music*, the court held that the first sale doctrine was not a defense to liability under these circumstances. The court was careful to limit its holding to the particular facts of the case, stating: "We merely follow *BMG Music* in holding that sales *abroad* of foreign manufactured United States copyrighted materials do not terminate the United States copyright holder's exclusive distribution rights in the United States under §§ 106 and 602(a)." *Id.* at 482 n.8 (emphasis in original).

The Ninth Circuit also agreed with the district court that Givenchy USA had standing to sue under the Copyright Act. *Id.* at 480. The court concluded that Drug Emporium's copyright infringement occurred when it attempted to distribute the copyrighted products, which was after the assignment of the copyright to Givenchy USA. *Id.* Because of its ruling on this point, the court did not reach the issue of whether Givenchy USA also had standing by virtue of the circumstances of the assignment. *Id.* at 480 n.1.

Drug Emporium subsequently filed with the Ninth Circuit a "Suggestion of Rehearing En Banc" submitted "[p]ursuant to Rule 35, Fed.R.App.P." On January 12, 1995, the Ninth Circuit entered an order stating that "[t]he petition for rehearing is denied and the suggestion for rehearing en banc is rejected."[5/]

[5/] Contrary to Sup. Ct. R. 14.1(k)(iii), Drug Emporium did not include the order denying rehearing in its appendix. Accordingly, the order is attached as an addendum to this brief.

REASONS FOR DENYING THE PETITION

The petition should be denied because the decision below merely reaffirms settled law and does not implicate any conflict of authority. In addition, further review is unwarranted in this case because the decision below is clearly correct with respect to both of the questions presented. Finally, the petition overstates both the scope and significance of the decision.

I. THE PETITION SHOULD BE DENIED BECAUSE THE DECISION BELOW DOES NOT IMPLICATE ANY CONFLICT OF AUTHORITY.

The two questions presented by the petition concern issues of statutory construction. This Court ordinarily will not grant a writ of certiorari to review such questions absent a clear conflict with a decision of this Court, a federal court of appeals, or a state court of last resort. *See* Sup. Ct. R. 10.1(a).

Drug Emporium does not allege any conflict of authority with respect to the second question presented. With respect to the first question, the only conflict alleged is with a seven-year-old decision by the U.S. Court of Appeals for the Third Circuit, *Sebastian Int'l, Inc.* v. *Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093 (3d Cir. 1988). That case, like the present case, involved a claim brought under Section 602(a) of the Copyright Act. Unlike the present case, however, the copyrighted products in *Sebastian* were not made and first sold abroad. Rather, the products (hair care products with copyrighted labels) were made in the United States, shipped out of this country, and then imported back into the country. *Id.* at 1094.

Because of the factual situation presented in *Sebastian*, the Third Circuit expressly declined to reach the issue decided by the court below — whether the first sale doctrine is a defense to a claim under Section 602(a) when the goods in question are manufactured and first sold outside of the United States. Referring to two district court decisions that had rejected the first sale doctrine with respect to imports of foreign-made goods first sold abroad, the Third Circuit stated:

> *Scorpio* and *Harms*, although not binding on us, demonstrate a *significant difference* from the factual situation presented here. In those district court cases, *the copies were produced abroad and the sales occurred overseas.* The courts reasoned that the foreign origin of both manufacture and sale made the first sale doctrine inapplicable. However valid that interpretation of the "lawfully made under this title" language of section 109(a) — *and we specifically do not pass upon it in this case* — it does not affect our decision here.

847 F.2d at 1098 (emphasis added). In the present case, as in the two district court cases referred to in the above quotation, the copies at issue were "produced abroad and the sales occurred overseas." Accordingly, as the Third Circuit recognized, there is a "significant difference" between the facts of this case and those presented in *Sebastian*.

Contrary to Drug Emporium's assertion (Pet. 14), the Third Circuit was correct in concluding that the place of manufacture and sale is significant. The place of manufacture is significant because Section 109(a) refers to copies "lawfully made," which has been construed as a reference to copies lawfully made *within the United States*. *See, e.g., BMG Music*, 952 F.2d at 319; *Columbia Broadcasting Sys., Inc.* v. *Scorpio Music Distribs., Inc.*, 569 F. Supp. 47, 49 (E.D. Pa.

1983), *aff'd*, 738 F.2d 424 (3d Cir. 1984). The place of sale is significant because Section 602(a) refers to copies "acquired outside the United States." Thus, a leading treatise on copyright law concludes that the construction of the statutes that is "closest to the legislative intent" is that the first sale doctrine does not apply when "*both* the sale and manufacture of copyrighted goods occur outside the United States." 2 M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 8.12[B][6], at 8-152 to 8-153 (1994) (emphasis in original). Those circumstances exist in this case, but they did not exist in the *Sebastian* case.

Because of this factual difference, the Ninth Circuit in the decision below expressly declined to reach the issue decided in *Sebastian*. *See* 38 F.3d at 482 n.7. The Ninth Circuit's earlier decision in *BMG Music* also expressly distinguishes the *Sebastian* case. *See* 952 F.2d at 319 n.3. Importantly, this Court denied certiorari in the *BMG Music* case, despite an alleged conflict with *Sebastian*. *See* No. 91-1758 (June 22, 1992). There is no more conflict in the circuits today than there was when *BMG Music* was decided. The Court should therefore similarly deny certiorari in this case.

Not only is there no conflict between the Ninth and Third Circuits, the two circuits actually have taken *identical* positions on *both* of the questions presented by the petition. Prior to the *Sebastian* decision, the Third Circuit had affirmed without opinion a district court decision holding, like the court below, that Section 602(a) of the Copyright Act bars the importation of copyrighted goods made and first sold abroad. *See Columbia Broadcasting Sys., Inc.* v. *Scorpio Music Distribs., Inc.*, 569 F. Supp. 47 (E.D. Pa. 1983), *aff'd*, 738 F.2d 424 (3d Cir. 1984). The Ninth Circuit relied on that decision in *BMG Music*. *See* 952 F.2d at 319. The Third Circuit in *Sebastian* did not overrule the earlier *Scorpio*

decision. *See* 847 F.2d at 1098. Accordingly, the current position of the Third Circuit with respect to the first question presented in the petition is identical to the position of the Ninth Circuit.[6/]

The court in *Scorpio* also reached the same conclusion reached by the court below with respect to the second question presented in the petition. Citing to principles of joint and several liability and contributory infringement, as well as to the general rule that a plaintiff in a copyright infringement action may sue any member of the "chain of distribution," the court in *Scorpio* held that the unauthorized distribution of copyrighted products imported into this country in violation of Section 602(a) constitutes copyright infringement. 569 F. Supp. at 48-49. Similarly, the court below concluded that the Copyright Act "protects copyright owners against both unauthorized importation *and* subsequent unauthorized distribution of copies of copyrighted materials." 38 F.3d at 480 n.2 (emphasis in original).

Because there so obviously is no conflict in the *holdings* of the two circuits, Drug Emporium primarily argues that there is a conflict in the "rationales" of the circuits with respect to the relationship between Section 602(a) and Section 109(a). (Pet. 8-12.) Even if this were true, a difference in reasoning between only two circuit courts is generally not sufficient to warrant a grant of certiorari. *See* R. Stern, *et*

[6/] Drug Emporium attempts to distinguish *Scorpio* as involving a sale abroad by a licensee rather than by the copyright owner itself. (Pet. 11 n.8.) That distinction certainly was not recited by the court in *Scorpio* as a basis for its decision. Rather, the court reasoned, like the court below, that sales abroad of foreign-manufactured goods do not constitute a first sale for purposes of Section 109(a). *See* 569 F. Supp. at 49. Under this analysis, it makes no difference if the sale abroad is by the copyright owner or its licensee.

al., *Supreme Court Practice* § 4.3, at 167 (7th ed. 1993) ("there must be a real or 'intolerable' conflict on the same matter of law or fact, not merely an inconsistency in dicta or in the general principles utilized"); *id.* § 6.31(a), at 355. In any event, it is not true.

Contrary to Drug Emporium's assertion, the Ninth Circuit, like the Third Circuit, viewed Section 602(a) as part of the exclusive distribution rights provided for in Section 106(3) of the Copyright Act and thus *potentially* subject to the first sale defense in Section 109(a). *See*, *e.g.*, 38 F.3d at 480 (noting that violation of Section 602(a) is "an infringement of the distribution rights provided in § 106"). The Ninth Circuit simply concluded that Section 109(a) does not provide a defense with respect to copyrighted goods made and first sold outside the United States, *id.* at 482 n.8, an issue on which the Third Circuit in *Sebastian* specifically declined to rule, *see* 847 F.2d at 1098. The Ninth Circuit did *not* adopt the construction of Section 602(a) adopted by the district court in *Sebastian* and rejected by the Third Circuit, *i.e.*, that Section 109(a) is *never* a defense to infringement under Section 602(a). Rather, the Ninth Circuit made clear that it *will* apply the first sale doctrine when there is a lawful sale in the United States, and also possibly when the goods are manufactured in the United States. *See*, *e.g.*, 38 F.3d at 481, 482 n.8. Nothing in *Sebastian* contradicts this reasoning.

Drug Emporium's argument on this point is misleading because it equates the "two possible ways" of interpreting the relationship between Section 602(a) and Section 109(a), referred to in *Sebastian*, 847 F.2d at 1097, with the reference by the court below to the "at least two plausible interpretations" of the statutes, 38 F.3d at 480-81. After equating these references, Drug Emporium suggests that the Third Circuit adopted one of the possible interpretations whereas the Ninth Circuit adopted the other. (Pet. 9-10, 14.)

This is not correct. In fact, these courts described a total of at least *three* different ways of interpreting the statutes, only one of which was referred to by both courts.

The "two possible ways" of interpreting the statutes referred to by the Third Circuit were (1) that Section 602(a) is an independent right *never* subject to the first sale defense, or (2) that it is one of the exclusive distribution rights of Section 106 and thus is subject to a first sale defense when that defense is applicable. 847 F.2d at 1097. The "at least two plausible interpretations" discussed by the Ninth Circuit, however, were (1) that Section 602(a) is *always* superseded by the first sale defense regardless of the place of manufacture or sale, or (2) that it is not superseded when the copyrighted goods are made and first sold abroad. 38 F.3d at 481.

The Third Circuit's rejection of the first possible interpretation to which it referred (*i.e.*, that Section 602(a) is never subject to a first sale defense) certainly was not a rejection of the *different* second possible interpretation referred to and adopted by the Ninth Circuit (*i.e.*, that Section 602(a) is not superseded by the first sale defense when the goods are made and first sold abroad), and vice-versa. Indeed, each court made clear that it was *not* rejecting the other interpretation. Moreover, in its earlier affirmance of the *Scorpio* decision, the Third Circuit had expressly *adopted* the interpretation adopted by the Ninth Circuit below.

In sum, there is no conflict in the circuits, and certiorari should accordingly be denied.

II. THE PETITION SHOULD BE DENIED BECAUSE THE DECISION BELOW IS CLEARLY CORRECT.

Review by this Court also is unwarranted because the decision below is clearly correct with respect to both of the questions presented.

A. *The First Question Presented*

Both the text and legislative history of the relevant provisions of the Copyright Act support the Ninth Circuit's rejection of Drug Emporium's first sale defense. Section 602(a) defines as copyright infringement the "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States." 17 U.S.C. § 602(a). In this case, there is no dispute that all the terms of Section 602(a) are met: (a) copies or phonorecords of a work (b) acquired outside the United States (c) were imported into the United States (d) without the authority of the owner of copyright. Accordingly, the plain language of Section 602(a) supports the Ninth Circuit's finding of copyright infringement. Where, as here, Congress' "will has been expressed in reasonably plain terms, 'that language must ordinarily be regarded as conclusive.'" *Griffin* v. *Oceanic Contractors, Inc.*, 458 U.S. 564, 570 (1982) (quoting *Consumer Prod. Safety Comm'n* v. *GTE Sylvania, Inc.*, 447 U.S. 102, 108 (1980)).

The legislative history of Section 602(a) confirms that Congress meant what it said. First, Congress clearly intended to make unauthorized importation an infringement of copyright when the goods in question are lawfully made and sold abroad. For example, both the House and Senate reports accompanying the final bill that became Section 602(a) stated:

> Section 602 . . . deals with two separate situations: importation of "piratical" articles (that is, copies or phonorecords made without any authorization of the copyright owner), *and unauthorized importation of copies or phonorecords that were lawfully made*. The general approach of section 602 is to make unauthorized importation *an act of infringement in both cases*, but to permit the United States Customs Service to prohibit importation only of 'piratical' articles.

H.R. Rep. No. 1476, 94th Cong., 2d Sess. 169 (1976), *reprinted in* 1976 U.S. Code Cong. & Ad. News 5659, 5785 (emphasis added).[7/] Second, these reports make equally clear that the three enumerated exceptions in Section 602(a) were intended to be exclusive: "If none of the three exemptions applies, any unauthorized importer of copies or phonorecords acquired abroad could be sued for damages and enjoined from making any use of them." H.R. Rep. No. 1476, 94th Cong., 2d Sess. 170 (1976), *reprinted in* 1976 U.S. Code Cong. & Ad. News at 5786.[8/]

Nothing in the text or legislative history of Section 109(a) of the Act undermines this analysis. As a textual matter, it is far from clear that Section 109(a) was intended to have *any* limiting effect on Section 602(a), since it neither refers to Section 602(a) nor purports to confer a right of importation. Nor does the scant legislative history of Section 109(a) even mention importation. *See* H.R. Rep. No. 1476, 94th Cong., 2d Sess. 79-81 (1976), *reprinted in* 1976 U.S. Code Cong. & Ad. News 5659, 5693-95. This is not surprising, since, as the

---

7/ *See also* S. Rep. No. 473, 94th Cong., 1st Sess. 151 (1975).

8/ *See also* S. Rep. No. 473, 94th Cong., 1st Sess. 152 (1975).

court below recognized, application of the first sale doctrine to goods manufactured and sold abroad would render the right to control importation granted in Section 602(a) "'virtually meaningless.'" 38 F.3d at 481 (quoting *BMG Music*, 952 F.2d at 319).

Moreover, the first sale doctrine set forth in Section 109(a) is not one of the enumerated exceptions in Section 602(a). "Where [as here] Congress explicitly enumerates certain exceptions to a general prohibition, additional exceptions are not to be implied, in the absence of evidence of a contrary legislative intent." *Andrus* v. *Glover Construction Co.*, 446 U.S. 608, 616-17 (1980). Indeed, as one prominent copyright author has observed, "to introduce a first sale defense into section 602(a) would obviate that subsection's exemptions . . ., since these copies will often be lawfully made gray market goods purchased through normal market channels abroad." 1 P. Goldstein, *Copyright* § 5.6.1.2, at 603-04 (1989).

The Ninth Circuit's rejection of the first sale doctrine in this context is also supported by general principles concerning the extraterritorial application of U.S. law. "It is a long-standing principle of American law 'that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.'" *EEOC* v. *Arabian American Oil Co.*, 499 U.S. 244, 248 (1991) (quoting *Foley Bros., Inc.* v. *Filardo*, 336 U.S. 281, 285 (1949)). This principle has specifically been applied to the copyright laws. *See United Dictionary Co.* v. *G. & C. Merriam Co.*, 208 U.S. 260, 264 (1908); *Subafilms, Ltd.* v. *MGM-Pathe Communications Co.*, 24 F.3d 1088, 1095-97 (9th Cir. 1994) (en banc); *Robert Stigwood Group Ltd.* v. *O'Reilly*, 530 F.2d 1096, 1101 (2d Cir.), *cert. denied*, 429 U.S. 848 (1976). Accordingly, statutory limitations on the rights of U.S. copyright owners, such as Section 109(a) of the

Copyright Act, should not be presumed to be triggered by conduct, such as the manufacture and first sale of a product, occurring outside of the United States. *Cf. Beechwood Music Corp.* v. *Vee Jay Records, Inc.*, 328 F.2d 728, 729 (2d Cir. 1964) (licensing of reproductions of sound recordings abroad did not trigger compulsory license provisions of U.S. copyright law).

As the Ninth Circuit recognized, the fact that trademark law may not offer the same level of protection against unauthorized imports is irrelevant. First, as the Ninth Circuit noted, there is "no statutory equivalent" of Section 602(a) in trademark law. 38 F.3d at 484. Second, "the Copyright Act has a purpose, scope, and statutory scheme different from" that of trademark law. *Id.* at 483. Whereas "[t]rademark law prevents the use of a similar mark on such goods or services as would probably cause confusion," a copyright is infringed "if one violates any of the 'bundle' of exclusive rights of copyright." 1 J. McCarthy, *Trademarks and Unfair Competition* § 6:04[2], at 6-25 (3d ed. 1994); *see also Sony Corp. of America* v. *Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19 (1984) (noting the "fundamental differences" between copyright law and trademark law).[9/]

[9/] Drug Emporium's argument concerning patent law (Pet. 17-18) was not raised below and, in any event, is unavailing. It is well settled that the distribution of a patented product imported into the United States without the authority of the patent owner constitutes an infringement of the patent, notwithstanding any first sale of the patented product abroad. *See Boesch* v. *Graff*, 133 U.S. 697, 702-03 (1890); *Daimler Mfg. Co.* v. *Conklin*, 170 F. 70, 72 (2d Cir. 1909), *cert. denied*, 216 U.S. 621 (1910); *Selchow & Righter Co.* v. *Goldex Corp.*, 612 F. Supp. 19, 25 (S.D. Fla. 1985); *Sanofi, S.A.* v. *Med-Tech Veterinarian Products, Inc.*, 222 U.S.P.Q. (BNA) 143, 148-49 (D. Kan. 1983); *Griffin* v. *Keystone Mushroom Farm, Inc.*, 453 F. Supp. 1283, 1286 (E.D. Pa. 1978). This is because patent law, like copyright law, "makes no claim to extraterritorial effect." (continued...)

Drug Emporium's reference to general competition policies (Pet. 20-21) simply begs the question of whether unauthorized importation and distribution of copyrighted products is *lawful* competition. It also ignores the important affirmative policies that led Congress to enact Section 602(a) in the first place. It is the underlying purpose of the Copyright Act to provide owners of U.S. copyrights with the full value of their copyrighted works. 1 P. Goldstein, *Copyright* § 5.1.6.2, at 603 (1989). As the Ninth Circuit recognized, Section 602(a) promotes this purpose "by preventing the unauthorized importation of copies sold abroad from being used as a means of circumventing the copyright owner's distribution rights in the United States." 38 F.3d at 481. The resulting incentives to creativity have been determined by Congress to be more important than any short-run price reductions that might be obtained by permitting unauthorized importation and distribution of copyrighted works. Although Drug Emporium may disagree with Congress' policy determination, the courts are not the proper forum to address that grievance.

B. *The Second Question Presented*

The second question presented in the petition — whether retailers of unauthorized imports may be subject to liability under Section 602(a) — was not raised by Drug Emporium as an issue on appeal. Rather, it was mentioned by Drug

---

[2](...continued)

Deepsouth Packing Co. v. *Laitram Corp.*, 406 U.S. 518, 531 (1972). The decisions cited by Drug Emporium that are allegedly to the contrary (Pet. 18 n.16) merely held that if a seller abroad has the right to import the patented product into the United States, and conveys that right to the buyer, the buyer does not infringe the patent by importing the product. In the present case, it is undisputed that the right to import the product into the United States has been granted *exclusively* to Givenchy USA.

Emporium only on one page of its reply brief, and only in the context of its standing argument. The Ninth Circuit therefore addressed this question only insofar as was necessary to resolve the standing issue. *See* 38 F.3d at 480 n.2 (declining to resolve whether Section 602(a) by itself makes retailers liable because it is "irrelevant to the standing question"). Because the issue was not squarely raised or decided on appeal, it is not appropriate for review by this Court. *See, e.g., Delta Air Lines, Inc.* v. *August*, 450 U.S. 346, 362 (1981); *Adickes* v. *S.H. Kress & Co.*, 398 U.S. 144, 147 n.2 (1970).

In any event, the Ninth Circuit's brief comment on this issue, *see* 38 F.3d at 482, was clearly correct. As the Ninth Circuit observed, "the purchaser of illegally imported copies has no more authority to distribute copies than does the original importer." *Id.* The only other decision to address the issue reached the same conclusion. *See Columbia Broadcasting Sys., Inc.* v. *Scorpio Music Distribs., Inc.*, 569 F. Supp. 47, 48-49 (E.D. Pa. 1983), *aff'd*, 738 F.2d 424 (3d Cir. 1984). As the court in *Scorpio* observed, this conclusion follows from principles of contributory infringement and joint and several liability, as well as from the general rule that a plaintiff in a copyright infringement case may sue any member of the distribution chain. *Id.; see generally Stabilisierungs-fonds Fur Wein* v. *Kaiser Stuhl Wine Distribs. Pty. Ltd.*, 647 F.2d 200, 207 (D.C. Cir. 1981); 1 P. Goldstein, *Copyright* § 5.6.1.2, at 604 (1989).

This conclusion is also consistent with the language and legislative history of Section 602(a). Although Section 602(a) makes unlawful certain "importation," the harm at which it is expressly directed is "an infringement of the exclusive right to *distribute* copies." 17 U.S.C. § 602(a) (emphasis added). Moreover, the three exceptions in the statute all relate to situations where the importation will not lead to further

distribution, such as the importation of single copies for personal use. In addition, Section 602(a) expressly refers to Section 106(3) of the Act, which confers exclusive rights over *distribution*. *See* 17 U.S.C. § 106(3); *see also* H.R. Rep. No. 1476, 94th Cong., 2d Sess. at 79 (1976), *reprinted in* 1976 U.S. Code Cong. & Ad. News 5659, 5693 (noting that "any resale of an illegally 'pirated' phonorecord would be an infringement").

Drug Emporium states that the liability of retailers under Section 602(a) is "debatable" and that a uniform national rule is needed. (Pet. 22-24.) The problem with this argument is that there *is* a uniform rule — the decision below is consistent with the only other decision to address the issue and with general principles of copyright law. Under Drug Emporium's own analysis, therefore, there is no reason for this Court to grant certiorari.

III. DRUG EMPORIUM OVERSTATES THE SCOPE AND SIGNIFICANCE OF THE DECISION BELOW.

Unable to show any conflict of authority or clear error by the court below, Drug Emporium stresses the "importance" of the lower court's decision. Drug Emporium, however, has substantially overstated both the scope and significance of the decision.

Drug Emporium suggests that the Ninth Circuit's resolution of the first sale issue will have "broad commercial and policy implications." (Pet. 15.) Drug Emporium neglects to mention that the conclusion reached by the Ninth Circuit is the same as that reached by almost all of the district courts to

consider the issue since Section 602(a) was enacted in 1976.[10/] Indeed, in the almost twenty years since the statute was enacted, only one district court has rejected Section 602(a) liability when the copyrighted good were made and first sold abroad, and that court's decision was reversed on other grounds on appeal.[11/] Moreover, the Ninth Circuit reached the same conclusion that it reached below in its 1991 *BMG Music* decision. The *BMG Music* decision in turn relied heavily on the 1983 *Scorpio* decision. Thus, far from working any dramatic change in the law, the decision below reaffirms settled principles.

Drug Emporium nevertheless suggests that there will be a substantial increase in the number of suits brought under Section 602(a) as a result of the decision below. (Pet. 15-16.) As support for this proposition, Drug Emporium does not cite to any actual suits, but instead refers to two newspaper articles that contain self-serving statements by Drug Emporium's own counsel. (Pet. 15.) Drug Emporium also emphasizes a passing remark made by the district court over a year ago to seeing "countless" new Section 602(a) cases. In fact, that remark apparently was made in response to the filing of only

---

[10/] *See, e.g., Living Media India Ltd.* v. *Parekh*, 2 Copyright L. Rep. (CCH) ¶ 27,239 (S.D.N.Y. 1994); *Original Appalachian Artworks, Inc.* v. *J.F. Reichert, Inc.*, 658 F. Supp. 458, 462-63 (E.D. Pa. 1987); *T.B. Harms Co.* v. *Jem Records, Inc.*, 655 F. Supp. 1575, 1582-83 (D.N.J. 1987); *Hearst Corp.* v. *Stark*, 639 F. Supp. 970, 974-77 (N.D. Cal. 1986); *Selchow & Righter Co.* v. *Goldex Corp.*, 612 F. Supp. 19, 25 (S.D. Fla. 1985); *Columbia Broadcasting Sys., Inc.* v. *Scorpio Music Distribs., Inc.*, 569 F. Supp. 47, 48-49 (E.D. Pa. 1983), *aff'd*, 738 F.2d 424 (3d Cir. 1984); *Nintendo of America, Inc.* v. *Elcon Indus., Inc.*, 564 F. Supp. 937, 943-44 (E.D. Mich. 1982).

[11/] *See Red Baron-Franklin Park Inc.* v. *Taito Corp.*, 9 U.S.P.Q.2d (BNA) 1901 (E.D. Va. 1988), *rev'd*, 883 F.2d 275 (4th Cir. 1989).

two cases. Undersigned counsel is not aware of any great increase in the number of Section 602(a) cases, and Drug Emporium certainly does not cite to any such cases.

Drug Emporium also asserts, without any support, that "[a]n exceptional amount of commerce has been affected." (Pet. 16.) Allegations such as these — which cannot be verified by the Court — are precisely why this Court ordinarily awaits a true conflict of authority. If the decision below does lead to a significant adverse impact on commerce, then a conflict with the decision of another circuit is likely to arise. If, as respondent believes much more probable, that does not occur, and no conflict arises, then there will be no reason for this Court to review the issue.

Moreover, in arguing the significance of the decision, Drug Emporium ignores important limitations on the scope of the right granted by Congress in Section 602(a) — limitations that reduce any effect the statute might have. First, to initiate an action under the statute, the plaintiff must be the owner of a valid United States copyright. *See* 17 U.S.C. § 501(b). Although there was no challenge to the copyrightability of Givenchy USA's box design in this case, the requirement of a valid copyright certainly will limit reliance on Section 602(a) in other cases.[12/] Second, the protection accorded by Section 602(a) presumably extends only to the copyrighted element of the product; thus, if the copyright covers a separable and unimportant portion of the product, the importation restriction of Section 602(a) can easily be avoided by importing the product without the copyrighted element. Third, unlike other

---

[12/] Drug Emporium appears to question in its petition the application of copyright protection to the packaging of a product. (*See, e.g.*, Pet. 13, 15.) However, Drug Emporium never raised this or any other copyrightability argument in the lower courts and those courts therefore never considered the issue.

intellectual property rights, the U.S. Customs Service does not enforce Section 602(a) at the border with respect to lawfully made goods. *See* 17 U.S.C. § 602(b). Thus, as expressly recognized in the House and Senate reports quoted above, *see supra*, at 14, the effect of Section 602(a) is limited to private enforcement actions.

In sum, Drug Emporium's arguments about the incremental impact of the Ninth Circuit's decision are exaggerated, unsubstantiated, and premature. Also, to the extent they implicate the relationship between competition policy and statutorily-created intellectual property rights, these arguments, absent a conflict of authority, are more properly addressed to Congress than to this Court. Because there is no existing conflict of authority, there is no reason for this Court to review the lower courts' consistent interpretation and implementation of a policy decision made by Congress in enacting Section 602(a) of the Copyright Act.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

RONALD L. OLSON
LAWRENCE C. BARTH
Munger, Tolles & Olsen
355 South Grand Avenue
Los Angeles, CA 90071

PETER J. NICKLES
Counsel of Record
CHARLES E. BUFFON
CURTIS A. BRADLEY
CAROLINE M. BROWN
Covington & Burling
1201 Pennsylvania Ave., N.W.
Post Office Box 7566
Washington, D.C. 20044
(202) 662-6000

Attorneys for Respondent

February 1995

ADDENDUM

IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

Case No. 92-56359
Case No. 93-55050

On Appeal From The United States District Court
For The Central District of California

Case No. CV-92-4206-MRP

PARFUMS GIVENCHY, INC.,

Plaintiff - Appellee

v.

DRUG EMPORIUM, INC.,

Defendant - Appellant.

SUGGESTION OF REHEARING EN BANC

Moises T. Grayson
BLAXBERG, GRAYSON &
SINGER, P.A.
Suite 730,
Ingraham Building
25 Southeast Second Avenue
Miami, Florida 33131
(305) 381-7979

R. Lawrence Bonner
John Borgo
GREER, HOMER &
BONNER, P.A.
100 Southeast Second Street
Suite 3400
Miami, Florida 33131
(305) 350-5100

Attorneys for the Appellant

Pursuant to Rule 35, Fed.R.App.P., appellant Drug Emporium, Inc. ("Drug Emporium") seeks rehearing en banc of this appeal. A copy of the panel opinion ("Op."), filed October 21, 1994, is attached hereto as Exhibit A.

SUMMARY

This appeal raises the question whether the Copyright Act prohibits "gray-market" competition in ordinary consumer goods. Gray-market goods are genuine products bearing valid trademarks which are purchased abroad and imported into the United States without the "authorized" distributor's permission. The gray-market good in this case is a perfume manufactured in France and marketed under the name "Amarige." Amarige is sold in individual boxes decorated with a copyrighted graphic design. Drug Emporium purchased Amarige from a third-party importer and sold it in its retail stores.

Appellant Parfums Givenchy, Inc. ("Givenchy USA") sued Drug Emporium under § 602(a) of the Copyright Act. Section 602(a) prohibits the importation of copyrighted goods acquired abroad — in this case, Amarige boxes — without the copyright owner's permission. Usually, purchasers of copyrighted goods are protected by the "first sale" doctrine in § 109(a) of the Act. That doctrine holds that copyright owners may not control the distribution of such goods after

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

PARFUMS GIVENCHY, INC.,	Nos. 92-56359, 93-55050
Plaintiff - Appellee,	D.C. No. CV-92-4206-MRP
vs.	O R D E R
DRUG EMPORIUM, INC.,	
Defendant - Appellant.	

Before: TANG, PREGERSON and NOONAN, Circuit Judges

The members of the panel that decided this case voted unanimously to deny the petition for rehearing and to reject the suggestion for rehearing en banc.

The full court has been advised of the suggestion for rehearing en banc and no active judge has requested a vote on whether to rehear the matter en banc. Fed. R. App. P. 35.

The petition for rehearing is denied and the suggestion for rehearing en banc is rejected.